The Fiscal Monitor

A Publication of the Department of Finance

Highlights

November 2007: budgetary surplus of $0.1 billion

There was a budgetary surplus of $0.1 billion in November 2007, compared to a surplus of $0.5 billion in November 2006. Budgetary revenues were up $0.7 billion, reflecting gains across the largest revenue streams, offset by a decline in non-resident withholding taxes resulting from a one-time gain recorded in November 2006. Program expenses increased by $1.0 billion, or 6.5 per cent, primarily reflecting higher transfer payments. Public debt charges increased by $0.1 billion.

April to November 2007: budgetary surplus of $6.7 billion

For the first eight months of the 2007–08 fiscal year, the budgetary surplus is estimated at $6.7 billion, down $0.2 billion from the $6.9-billion surplus reported in the same period of 2006–07. Budgetary revenues increased by $7.5 billion, or 5.1 per cent, reflecting growth in nearly all revenue streams, particularly corporate income tax and other revenues. The results to date include the cost of personal income tax relief measures introduced in the October 30, 2007, Economic Statement pertaining to the January to November 2007 period, totalling $2.7 billion. These measures consist of the reduction in the lowest personal income tax rate from 15.5 per cent to 15 per cent and the increase in the basic personal amount to $9,600, both effective January 1, 2007. Program expenses were up $7.9 billion, or 6.7 per cent, due to higher transfer payments and operating expenses of departments and agencies. Public debt charges were down $0.2 billion.

November 2007

There was a budgetary surplus of $0.1 billion in November 2007, compared to a $0.5-billion surplus in November 2006.

On a year-over-year basis, budgetary revenues increased by $0.7 billion, or 3.9 per cent, to $19.2 billion.

- Personal income tax revenues increased by $0.2 billion, or 2.5 per cent, as growth was dampened by tax relief introduced in the October 30, 2007, Economic Statement.
- Corporate income tax revenues rose $0.3 billion, or 12.3 per cent.
- Other income tax revenues—withholdings from non-residents—fell by $0.4 billion, or 42.6 per cent, reflecting a one-time payment of $0.5 billion received in November 2006 in respect of the sale of Canadian assets by a non-resident firm.
- Excise taxes and duties were up $0.4 billion, or 12.4 per cent. The increase was largely due to a $0.4-billion or 18.1-per-cent increase in goods and services tax (GST) revenues, following a decline of 6.0 per cent in GST revenues in October.

Customs import duties were down $4 million, sales and excise tax revenues increased by $10 million, and revenues from the Air Travellers Security Charge were $1 million lower.

- Employment Insurance (EI) premium revenues were down 7.5 per cent, consistent with the decline in the premium rate from $1.87 to $1.80 per $100 of insurable earnings, effective January 1, 2007.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sales of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, rose $0.2 billion, or 12.6 per cent.

Program expenses in November 2007 were $16.3 billion, up $1.0 billion, or 6.5 per cent, from November 2006, primarily reflecting higher transfer payments.

Transfer payments were up $0.8 billion, or 8.4 per cent.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, were relatively stable. Elderly benefits increased 0.9 per cent and EI benefits increased 2.1 per cent. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit (UCCB), declined 1.8 per cent.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up 13.7 per cent, or $0.5 billion, reflecting Budget 2007 measures.
- Subsidies and other transfers increased by $0.3 billion, or 18.5 per cent.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses rose $0.2 billion, or 3.2 per cent.

Public debt charges increased by $0.1 billion.

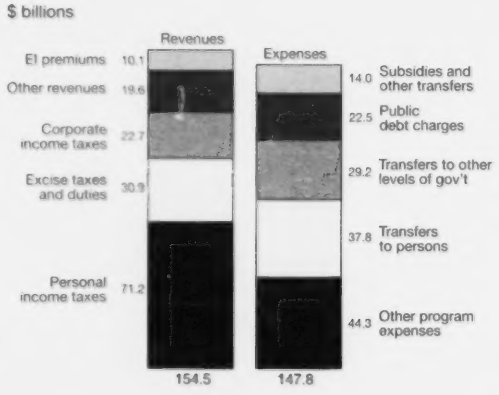
April to November 2007

Through the first eight months of the 2007–08 fiscal year, there was a budgetary surplus of $6.7 billion, down $0.2 billion from the $6.9-billion surplus reported during the same period of 2006–07.

On a year-over-year basis, budgetary revenues increased by $7.5 billion, or 5.1 per cent, to $154.5 billion.

- Personal income tax revenues increased by $0.1 billion, or 0.2 per cent, reflecting $2.7 billion in tax relief measures retroactive to January 2007 announced in the October 30, 2007, Economic Statement.

Revenues and expenses
(April to November 2007)



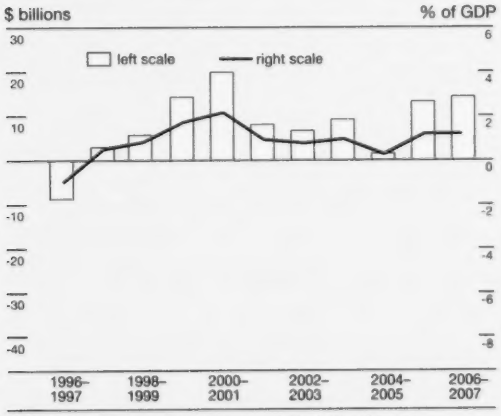
- Corporate income tax revenues were up $3.6 billion, or 18.9 per cent, reflecting ongoing profitability of corporations. The exceptionally strong growth to date also reflects tax remittance patterns of corporations in the prior year, when corporations on average underpaid their tax liabilities during the first part of the fiscal year, but then made up this difference with significant settlement payments in February and March 2007. As such, the high year-to-date growth rate of corporate receipts is expected to dissipate over the final three months of this fiscal year.
- Other income tax revenues rose $0.1 billion, or 3.3 per cent.
- Excise taxes and duties increased by $0.8 billion, or 2.7 per cent. GST revenues increased by $0.4 billion, or 2.0 per cent. Customs import duties and sales and excise tax revenues were both up $0.2 billion, while revenues from the Air Travellers Security Charge increased by $15 million.
- EI premium revenues were down $50 million, or 0.5 per cent, reflecting the decline in the premium rate from $1.87 to $1.80 per $100 of insurable earnings, effective January 1, 2007.
- Other revenues rose $2.9 billion, or 21.9 per cent, boosted by a gain from the sale and leaseback of seven federal office properties.

Program expenses in the April to November 2007 period were $125.4 billion, up $7.9 billion, or 6.7 per cent, from the same period of 2006, reflecting an increase in transfer payments, Crown corporation expenses and operating expenses of departments and agencies.

Transfer payments increased by $5.5 billion, or 7.2 per cent.

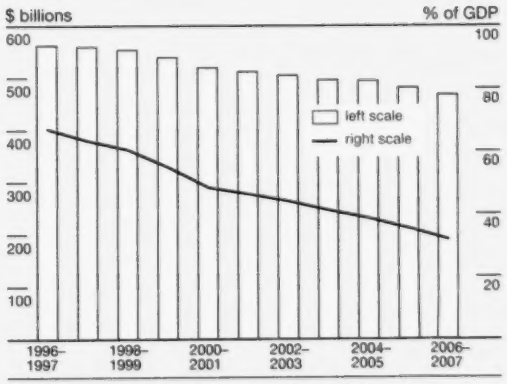
- Major transfers to persons were up $1.7 billion, or 4.6 per cent. Elderly benefits increased 4.1 per cent and EI benefits increased 2.3 per cent. Children's benefits were up $0.6 billion, as transfers under the UCCB began part way through the 2006–07 fiscal year, in July 2006.
- Major transfers to other levels of government were up $2.4 billion, or 8.8 per cent, reflecting legislated increases in the Canada Health Transfer, Canada Social Transfer and Equalization.

Budgetary balance



Sources: Department of Finance and Statistics Canada.

Federal debt (accumulated deficit)



Sources: Department of Finance and Statistics Canada.

- Subsidies and other transfers were up $1.4 billion, or 11.4 per cent.

Other program expenses increased by $2.4 billion, or 5.8 per cent.

Public debt charges decreased by $0.2 billion, or 0.8 per cent, reflecting lower unmatured debt levels.

Financial source of $15.5 billion for April to November 2007

The budgetary balance is presented on a full accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary surplus of $6.7 billion and a source of $8.8 billion from non-budgetary transactions, there was a financial source of $15.5 billion in the April to November 2007 period, compared to a financial source of $2.8 billion in the same period of 2006. The appreciation of the Canadian dollar in 2007 is a significant factor in the increase in the financial source.

Net financing activities down $24.7 billion

The Government used this financial source of $15.5 billion and a reduction in its cash balances of $9.2 billion to reduce its market debt by $24.7 billion by the end of November 2007. The reduction in market debt was achieved largely through a reduction of treasury bills. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of November 2007 stood at $12.0 billion, $1.3 billion below their level at the end of November 2006.

Table 1
Summary statement of transactions

	November		April to November	
	2006	2007	2006–07	2007–08
	($ millions)			
Budgetary transactions				
Revenues	18,469	19,189	147,018	154,532
Expenses				
Program expenses	-15,298	-16,290	-117,456	-125,358
Public debt charges	-2,709	-2,814	-22,650	-22,470
Budgetary balance (deficit/surplus)	462	85	6,912	6,704
Non-budgetary transactions	-553	-874	-4,143	8,814
Financial source/requirement	-91	-789	2,769	15,518
Net change in financing activities	10,010	6,858	-7,383	-24,690
Net change in cash balances	9,919	6,069	-4,614	-9,172
Cash balance at end of period			13,346	12,035

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Budgetary revenues

	November			April to November		
	2006	2007	Change	2006–07	2007–08	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	8,717	8,938	2.5	71,081	71,229	0.2
Corporate income tax	2,490	2,796	12.3	19,125	22,746	18.9
Other income tax	994	571	-42.6	3,457	3,572	3.3
Total income tax	12,201	12,305	0.9	93,663	97,547	4.1
Excise taxes and duties						
Goods and services tax	2,452	2,896	18.1	21,036	21,449	2.0
Customs import duties	304	300	-1.3	2,429	2,597	6.9
Sales and excise taxes	833	843	1.2	6,401	6,605	3.2
Air Travellers Security Charge	30	29	-3.3	243	258	6.2
Total excise taxes and duties	3,619	4,068	12.4	30,109	30,909	2.7
Total tax revenues	15,820	16,373	3.5	123,772	128,456	3.8
Employment Insurance premiums	825	763	-7.5	10,101	10,051	-0.5
Other revenues	1,824	2,053	12.6	13,145	16,025	21.9
Total budgetary revenues	18,469	19,189	3.9	147,018	154,532	5.1

Note: Totals may not add due to rounding.

Table 3

Budgetary expenses

	November			April to November		
	2006	2007	Change	2006–07	2007–08	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Transfers to persons						
Elderly benefits	2,562	2,586	0.9	20,179	21,007	4.1
Employment Insurance benefits	1,041	1,063	2.1	8,635	8,835	2.3
Children's benefits	1,000	982	-1.8	7,319	7,962	8.8
Total	4,603	4,631	0.6	36,133	37,804	4.6
Transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,679	1,804	7.4	13,427	14,277	6.3
Canada Social Transfer	709	832	17.3	5,667	6,513	14.9
Total	2,388	2,636	10.4	19,094	20,790	8.9
Fiscal transfers	1,125	1,266	12.5	8,832	9,752	10.4
Canada's cities and communities	38	127	234.2	344	722	109.9
Early learning and child care	0	0	n/a	650	0	n/a
Alternative Payments for Standing Programs	-227	-248	9.3	-2,055	-2,033	-1.1
Total	3,324	3,781	13.7	26,865	29,231	8.8
Subsidies and other transfers						
Agriculture and Agri-Food	324	198	-38.9	1,371	903	-34.1
Foreign Affairs and International Trade	189	115	-39.2	1,311	1,224	-6.6
Health	208	213	2.4	1,261	1,367	8.4
Human Resources and Social Development	136	119	-12.5	1,078	1,096	1.7
Indian Affairs and Northern Development	351	370	5.4	3,105	3,260	5.0
Industry	135	110	-18.5	1,252	1,236	-1.3
Other	421	965	129.2	3,173	4,895	54.3
Total	1,764	2,090	18.5	12,551	13,981	11.4
Total transfer payments	9,691	10,502	8.4	75,549	81,016	7.2
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	126	58	-54.0	890	868	-2.5
Canada Mortgage and Housing Corporation	172	170	-1.2	1,355	1,296	-4.4
Other	241	327	35.7	2,218	2,587	16.6
Total	539	555	3.0	4,463	4,751	6.5
Defence	1,435	1,516	5.6	10,252	11,340	10.6
All other departments and agencies	3,633	3,717	2.3	27,192	28,251	3.9
Total other program expenses	5,607	5,788	3.2	41,907	44,342	5.8
Total program expenses	15,298	16,290	6.5	117,456	125,358	6.7
Public debt charges	2,709	2,814	3.9	22,650	22,470	-0.8
Total budgetary expenses	18,007	19,104	6.1	140,106	147,828	5.5

Note: Totals may not add due to rounding.

Table 4

The budgetary balance and financial source/requirement

	November		April to November	
	2006	2007	2006–07	2007–08
	($ millions)			
Budgetary balance (deficit/surplus)	462	85	6,912	6,704
Non-budgetary transactions				
Capital investing activities	-247	-146	-1,289	-1,261
Other investing activities	-849	-125	-2,634	-1,178
Pension and other accounts	498	-24	3,384	5,118
Other activities				
Accounts payable, receivables, accruals and allowances	0	1,212	-7,227	-245
Foreign exchange activities	-207	-1,988	1,585	4,761
Amortization of tangible capital assets	252	197	2,038	1,619
Total other activities	45	-579	-3,604	6,135
Total non-budgetary transactions	-553	-874	-4,143	8,814
Net financial source/requirement	-91	-789	2,769	15,518

Note: Totals may not add due to rounding.

Table 5

Financial source/requirement and net financing activities

	November		April to November	
	2006	2007	2006–07	2007–08
	($ millions)			
Net financial source/requirement	-91	-789	2,769	15,518
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	3,299	2,133	3,554	-1,255
Treasury bills	8,200	4,600	-3,700	-17,000
Canada Savings Bonds	-1,338	-1,457	-1,808	-1,910
Other	-3	-143	-1,133	-699
Total	10,158	5,133	-3,087	-20,864
Foreign currency borrowings	58	90	-3,964	-1,496
Total	10,216	5,223	-7,051	-22,360
Cross-currency swap revaluation	92	1,774	218	-2,586
Unamortized discounts on debt issues	-285	-173	-487	-170
Obligations related to capital leases	-13	34	-63	426
Net change in financing activities	10,010	6,858	-7,383	-24,690
Change in cash balance	9,919	6,069	-4,614	-9,172

Note: Totals may not add due to rounding.

Table 6

Condensed statement of assets and liabilities

	March 31, 2007	November 30, 2007	Change
		($ millions)	
Liabilities			
Accounts payable, accruals and allowances	106,511	103,135	-3,376
Interest-bearing debt			
Unmatured debt			
Payable in Canadian dollars			
Marketable bonds	257,482	256,227	-1,255
Treasury bills	134,074	117,074	-17,000
Canada Savings Bonds	15,175	13,265	-1,910
Other	1,743	1,044	-699
Subtotal	408,474	387,610	-20,864
Payable in foreign currencies	10,372	8,876	-1,496
Cross-currency swap revaluation account	-1,091	-3,677	-2,586
Unamortized discounts and premiums on market debt	-6,659	-6,829	-170
Obligations related to capital leases	3,096	3,523	426
Total unmatured debt	414,192	389,503	-24,690
Pension and other accounts			
Public sector pensions	134,726	136,816	2,089
Other employee and veteran future benefits	45,123	46,696	1,572
Other pension and other accounts	5,211	6,668	1,457
Total pension and other accounts	185,060	190,180	5,118
Total interest-bearing debt	599,252	579,683	-19,570
Total liabilities	705,763	682,818	-22,946
Financial assets			
Cash and accounts receivable	92,586	80,285	-12,301
Foreign exchange accounts	44,178	39,417	-4,761
Loans, investments and advances (net of allowances)	45,094	46,272	1,178
Total financial assets	181,858	165,975	-15,883
Net debt	523,905	516,843	-7,062
Non-financial assets	56,637	56,279	-358
Federal debt (accumulated deficit)	467,268	460,564	-6,704

Note: Totals may not add due to rounding.

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